

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 H-01 L-03 PRS-01  
PA-01 SP-02 USIA-06 AID-05 EB-07 NSC-05 EPG-02  
SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03  
INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /105 W  
-----120931Z 006107/13

R 110722Z MAY 77  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC 9550  
INFO AMEMBASSY SEOUL

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 8/11/77  
TAGS: EAID, EFIN, KS  
SUBJECT: ADB LOAN FOR KOREA COLD STORAGE PROJECT; REQUEST  
BY BORROWER FOR DISPOSAL OF BANK-FINANCED GOODS

REF: 69 MANILA 2137

SUMMARY: ADB MANAGEMENT PROPOSES ON NO OBJECTION BASIS SALE BY  
PUBLIC TENDER OF SECOND-HAND REFRIGERATED VESSEL FINANCED  
BY BANK PURSUANT TO 1969 BANK LOAN TO KOREA COLD STORAGE  
CO. (KCSC). PROCEEDS OF SALE WOULD BE USED IN PREPAYMENT  
OF BANK LOAN. USADB PLANS NO OBJECTION. END SUMMARY.

1. ADB DOCUMENT R46-77 DESCRIBING PROPOSED SALE POUCHED  
ADDRESSEES MAY 9.

2. ADB IN MARCH 1969 APPROVED \$7 MILLION LOAN (LOAN NO.  
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10-KOR) FROM ORDINARY CAPITAL RESOURCES TO KOREA COLD  
STORAGE CO. (KCSC) TO FINANCE FOREX COST OF ESTABLISHING  
FREEZING, COLD STORAGE AND REFRIGERATED TRANSPORT  
FACILITIES FOR FISH AND AGRICULTURAL COMMODITIES, AND  
CONSTRUCTION OF A NEW WHOLESALE FISH MARKET IN SEOUL.  
FROM START OF COMMERCIAL OPERATIONS IN JULY 1971 UNTIL  
END -1975, KCSC INCURRED LOSSES AMOUNTING IN AGGREGATE

TO EQUIVALENT OF \$2.31 MILLION. LOSSES WERE ATTRIBUTABLE MAINLY TO LOW CAPACITY UTILIZATION OF KCSC FACILITIES OWNING TO DELAYS BY CITY AUTHORITIES IN RELOCATING MARKETING ACTIVITIES FOR FISHING PRODUCTS IN SEOUL TO NEW CENTRAL WHOLESALE MARKET CONSTRUCTED BY KCSC. WITH RELOCATION FINALLY EFFECTED IN 1975, KCSC'S OPERATIONAL PERFORMANCE IMPROVED AND MODEST (\$0.13 MILLION) NET PROFIT WAS REALIZED IN 1976. PROFITABLE OPERATIONS FORESEEN FOR 1977, BUT PROBABLY NOT SUFFICIENT TO OFFSET BALANCE OF ACCUMULATED LOSSES TO DATE.

3. KCSC PURCHASED SECOND-HAND REFRIGERATED VESSEL FROM JAPAN IN 1971. VESSEL, FIRST LAUNCHED IN 1964, HAS GROSS TONNAGE OF 96.92 M.T. FINANCED BY PROCEEDS OF BANK LOAN, ITS ORIGINAL COST WAS \$80,165 INCLUDING SPARE PARTS WORTH \$16,265. PURCHASE OF VESSEL WAS NECESSARY IN 1971 SINCE AT THAT TIME THERE WERE NO REFRIGERATED BOATS IN KOREA SPECIALLY FITTED FOR TRANSPORTATION OF FRESH FISH. HOWEVER, AS RESULT KCSC HAS FOUND IT NOT ECONOMICAL TO OPERATE A SINGLE SMALL REFRIGERATED VESSEL AS PART OF BUSINESS OF PROVIDING COLD STORAGE SERVICES. ACCORDINGLY, KCSC HAS REQUESTED BANK'S APPROVAL TO SALE OF ITS SECOND-HAND VESSEL BY PUBLIC TENDER. PROCEEDS OF SALE WILL BE APPLIED TO PREPAYMENT OF BANK LOAN.

4. ACCORDING TO KCSC'S AUDITED FINANCIAL STATEMENTS FOR 1976, VESSEL HAS DEPRECIATED VALUE OF WON 28.82 MILLION (U.S. \$59,420). CONCERNED BANK STAFF HAVE VERIFIED THAT: (I) CONTINUED OPERATION OF VESSEL LIMITED OFFICIAL USE

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WOULD BE UNECONOMICAL; AND (II) SALE WOULD NOT ADVERSELY AFFECT COLD STORAGE OPERATIONS OF KCSC.

5. ADB MANAGEMENT RECOMMENDS BOARD APPROVAL OF PROPOSED SALE OF SECOND-HAND REFRIGERATED VESSEL, SUBJECT TO PROCEEDS BEING USED FOR PREPAYMENT OF BANK LOAN. IN ABSENCE OF OBJECTION OR REQUEST FOR DISCUSSION BY CLOSE OF BUSINESS MAY 26, RECOMMENDATION WILL BE DEEMED TO HAVE BEEN APPROVED. USADB DOES NOT PLAN TO OBJECT. STILL

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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
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**Disposition Date:** 22 May 2009  
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**Executive Order:** N/A  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009